

CQ Transcriptswire
May 19, 2013 11:45

ABC-THIS-WEEK -00

ABC'S "THIS WEEK WITH GEORGE STEPHANOPOULOS"

MAY 19, 2013

SPEAKERS: GEORGE STEPHANOPOULOS, HOST

DAN PFEIFFER, SR. ADVISER TO THE PRESIDENT

SEN. ROB PORTMAN, R-OHIO

SEN. ROBERT MENENDEZ, D-N.J.

REP. TOM PRICE, R-GA. REP. CHARLES B. RANGEL, D-N.Y.

[*] STEPHANOPOULOS: Good morning and welcome to This Week. Damage control.

(START VIDEO CLIP)

OBAMA: Americans have a right to be angry about it, and I am angry about it.

(END VIDEO CLIP)

STEPHANOPOULOS: A trio of scandals.

(START VIDEO CLIP)

BOEHNER: My question is, who is going to jail?

(END VIDEO CLIP)

STEPHANOPOULOS: Tension on Capitol Hill.

(START VIDEO CLIP)

BOUSTANY: Why did you mislead the American people on this?

MILLER: Mr. Chairman, I did not mislead Congress, nor the American people.

(END VIDEO CLIP)

STEPHANOPOULOS: Is this the toughest week yet for the White House?

(START VIDEO CLIP)

RUBIO: These are the tactics for the third world.

(END VIDEO CLIP)

(START VIDEO CLIP)

CARNEY: He made clear that he thought it was an outrage, and he has taken action.

(END VIDEO CLIP)

STEPHANOPOULOS: After days of disclosures and dismissals, has the president's team turned the corner? Where will Congress go next? We'll ask the top White House strategist and key lawmakers from both parties. Plus...

(START VIDEO CLIP)

BACHMANN: There isn't a weekend that hasn't gone by, that someone says to me, why aren't you impeaching the president?

(END VIDEO CLIP)

STEPHANOPOULOS: With the administration under fire, will the GOP go too far? We'll sort through all of the

political and policy fallout on our Powerhouse Roundtable.

ANNOUNCER: From ABC News, This Week with George Stephanopoulos. Reporting from ABC News Headquarters, George Stephanopoulos.

STEPHANOPOULOS: Hello again. The Washington scandal factory kicked into high gear this week with jobs lost, lawyers hired, witnesses grilled, and outrage all round. As investigations intensify into IRS wrongdoing, the tragedy and Benghazi and the seizure of reporters phone records by the Justice Department. We're going to take a close look today at where this is all headed starting with the strategist at the center of White House damage control, Dan Pfeiffer.

Dan, thanks for coming back to This Week.

PFEIFFER: George, thanks for having me.

STEPHANOPOULOS: Let's talk about the IRS first, and just get some actual questions on the table. You and others have said that no one in the White House knew about IRS actions before getting the heads up on the inspector general's report last month. Are you absolutely sure of that?

PFEIFFER: Yes, that is -- that is -- that's what we've looked at. That's what we know. That's the first we've heard of it, and you know as -- as it's been said, the -- the deputy secretary of the Treasury was made aware, just of the fact that the investigation was beginning last year. But no one in the White House was aware. It's important to know what we -- what we actually knew, which is just that there was an investigation that was coming to conclusion, that that we knew the results. We didn't see the report until it was released last Wednesday.

STEPHANOPOULOS: That was -- until last Wednesday. So, last June, Neal Wolin, the Deputy Treasury Secretary is told. As far as you know, he did not tell his boss, Treasury Secretary Tim Geithner, and Geithner did not tell the White House?

PFEIFFER: That is correct.

STEPHANOPOULOS: So let's move on. What about questions about influence the other way, or communications the other way from the White House to IRS, or Treasury. Rob Portman -- Senator Portman is coming up on the program and he's written a letter to President Obama wanting to know what, if any, private pressure was exerted by the White House or Treasury Department's political appointees on the IRS regarding the standards for approving and monitoring the tax-exempt organizations, particularly these 501(c)(4) groups.

Those are those groups that have -- that have gotten all the attention. Any communication from the White House? PFEIFFER: No, but don't take my word for it, take the word of the independent inspector general, who said that he found no evidence that there was any influence from anywhere outside of the IRS.

STEPHANOPOULOS: So, none at all? So you have no problem...

PFEIFFER: No.

STEPHANOPOULOS: ...turning over any communications, and you believe there are none?

PFEIFFER: No. No. Hold -- we are going to work with Congress, as the president said in -- in legitimate oversight. What we're not going to participate in is partisan fishing expeditions designed to distract from the real issues at hand.

STEPHANOPOULOS: So, does that mean when -- when Senator Portman is asking for -- for documents, emails, any communication, you're not going to comply with that request?

PFEIFFER: Well, I -- we'll look at any requests that -- that Congress puts forward. And we'll work with them. Our hope is that they do this in a bipartisan way to actually try to solve the problem.

STEPHANOPOULOS: But bottom line, no communication as far as you know from the White House to the IRS about this targeting?

PFEIFFER: Absolutely -- no, absolutely not.

STEPHANOPOULOS: At the hearings on Friday, the acting director -- outgoing Acting Director of the IRS, Mr. Miller, was asked about the legality of this targeting, the special scrutiny for the conservative groups. Here is the questioning.

(START VIDEO CLIP)

PRICE: Do you believe it is illegal for employees of the IRS to create lists, to target individual groups and citizens in this country?

MILLER: I think the Treasury inspector general indicated that it might not be, but others will be able to tell that.

PRICE: What do you believe?

MILLER: I don't believe it is. I don't believe it should happen.

(END VIDEO CLIP)

STEPHANOPOULOS: What does the president believe? Does the president believe that would be illegal?

PFEIFFER: I can't speak the law -- the law here, but the law is irrelevant. The activity was outrageous and inexcusable, and it was stopped and needs to be -- we need it to be fixed, so we can ensure it never happens again. STEPHANOPOULOS: You don't really mean the law is irrelevant, do you?

PFEIFFER: What -- what I mean is that whether it's legal, or illegal is -- is not important to the fact that it -- that, the conduct as a matter. The Department of Justice said they're looking into the legality of this. The president is not going to wait for that. We have to make sure it doesn't happen again regardless of how that turns out.

STEPHANOPOULOS: Going forward, there's also going to be real questions about what kind of impact this is going to have on the rest of the president's agenda. And -- and the individual -- the woman who was running the office overseeing the tax-exempt organizations, Sarah Hall-Ingram, is now overseeing the -- the Treasury Department's oversight of the president's health care plan. That's raised a lot of questions among Republicans on Capitol Hill. They say that she, given her previous experience, is exactly the wrong person to be overseeing Obamacare. Your response?

PFEIFFER: Well, look, the new acting commissioner of the IRS is going to do a 30-day, top-down review to see that anyone who did anything wrong is held accountable. And so -- but to date, this individual you're referring to is not mentioned in the inspector general's report. So, let's get the facts before we try to indict this person in the court of public opinion.

STEPHANOPOULOS: So, as far as you know she did nothing wrong, so the president believes that she can continue to fulfill her responsibilities on his health care plan?

PFEIFFER: Let's see what the review says after 30 days, and make our decision after that. Let's get some facts first.

STEPHANOPOULOS: And how about the broader questions raised by some Republicans on Capitol Hill, that given the IRS's extensive responsibility for overseeing the health care law, that this experience with the tax-exempt organizations calls that oversight into question?

PFEIFFER: Well, I -- I can't -- George I think the question here for both Republicans and Democrats is, are we going to come together and try to work to solve the problem? I understand the Republicans are still very angry that Obamacare is law. And they're still angry that they -- they ran an election on this and lost. What would be sad is if they try to use this as an excuse to -- to try to repeal Obamacare. Let -- let's actually solve the problem.

STEPHANOPOULOS: And so again, you have no question about the IRS's ability to oversee, and their responsibility to oversee Obamacare?

PFEIFFER: Well, no. Let's do -- we're going to -- the new acting commissioner is going to -- he starts next week, he's going to get in there, he's going to do a top to bottom review, and make sure they can do the job, and do it right. STEPHANOPOULOS: Let's move on to Benghazi. The White House released over 100 emails this week detailing the communications with the State Department, and other government agencies over what was happening in those days and weeks after the attack out in Benghazi. I want to go back to something that Jay Carney said at the beginning of all of this, back in November about the kinds of changes the White House and the State Department were responsible for in those now infamous talking points?

(START VIDEO CLIP)

CARNEY: Well, the White House and the State Department have made clear that the single adjustment that was made to those talking points by either of those two -- these two institutions were, changing the word consulate to

diplomatic facility, because consulate was inaccurate.

(END VIDEO CLIP)

STEPHANOPOULOS: Do you continue to stand by that? Because the emails you released show a host of communication indicating that the -- the changes were far more extensive?

PFEIFFER: No, what -- what the email -- the email showed three things. I think this is very important because they undermine all of the allegations that Republicans have been making for months about this. First, the emails show that all of the drafts of the talking points include -- written by the CIA include reference to -- to the influence of a protest here. Second, references to al-Qaeda and terrorism were not taken out by the White House as Republicans have asserted, but taken out by the CIA.

And third, it shows that everyone here was trying to get it right the best we could, and that the primary driving objective for the White House, the CIA and the State Department was to ensure we did nothing that -- that interfered with the investigation of the people who did this.

STEPHANOPOULOS: But it also does show that the -- that the changes were more extensive than changing the word mission -- consulate to diplomatic facility?

PFEIFFER: But what they do -- what they absolutely show beyond a shadow of a doubt, is that the Republican allegation that the White House, the State Department, someone else changed the CIA's assessment for political reasons, that is proven beyond a shadow of a doubt to be false. And so hopefully we can put this all behind us, and I -- frankly I think that many of the Republicans who have been talking about this, now that they have seen the emails, owes Ambassador Rice an apology for the things they said about her in the wake of the attack.

STEPHANOPOULOS: An apology for what?

PFEIFFER: For -- they -- for accusing her of misleading the country. For saying that she didn't -- that -- that somehow we were -- that she was involved in some sort of political whitewash of what happened there. What she said is what the intelligence community believed at the time. And when we got further information, we told the American people what that was. That's how people know what happened here.

STEPHANOPOULOS: Finally, as -- as you look forward in trying to get the rest of the president's agenda through the Congress in the remaining three and a half years he has in office, you've seen the harsh words from Republican leaders calling -- talking about the arrogance of the White House, the culture of intimidation according to Senator Marco Rubio, and Dan Balz in the Washington Post, respected political writer points out that this is leading to a growing trust of government deficit. I want to show you. It's an article he's got in the paper today and he writes that, whatever else happens as a result of the multiple controversies that have engulfed the administration, one thing is clear, President Obama has failed to meet one of the most important goals he set out when he was elected, which is to demonstrate that activist government could also be smart government.

Have all of the revelations this week -- it sure appears that they have driven trust in government even further down. How does the president turn that round?

PFEIFFER: Well, there is no question that what happened in the IRS was a breach in trust. And we have to do everything we can to repair that breach. And that's what the president is doing. That's why he took decisive action, and why we're going to make sure this never happens again. Going forward I think it's important to note two things, one steps we have taken -- since the president has been in office he has taken serious steps to reform government, make it more efficient, make it more transparent. And what I think the test here is, when problems arise, how do we address it? And in the IRS, we're taking decisive action to make sure it never happens again, and we're going to hold those responsible, accountable.

STEPHANOPOULOS: Dan Pfeiffer, thanks very much.

PFEIFFER: Thank you, George.

STEPHANOPOULOS: That's the view from the White House. How will Congress respond? Key lawmakers investigating this week's revelations are up next in just 90 seconds.

(COMMERCIAL BREAK)

(BEGIN VIDEO CLIP) REP. DAVE CAMP, (R) MICHIGAN: This appears to be the latest example of a culture of cover-ups and political intimidation in this administration. It seems that the truth is hidden from the American people just long enough to make it through an election.

REP. SANDER LEVIN, (D) MICHIGAN: If this hearing becomes essentially a boot strap to continue the campaign, and to prepare for 2014, we will be making a very, very serious mistake.

(END VIDEO CLIP)

STEPHANOPOULOS: And that was the scene at the Capitol on Friday as the House kicked off its hearings into the IRS. Senate finance committee holds its hearings this week.

We're joined by two senators on that committee, Republican Rob Portman in Ohio, Democrat Bob Menendez from New Jersey, also two Congressman from the house who are looking into, Republican Tom Price and Democrat Charles Rangel.

Thank you to all of you.

Let me begin with Senator Portman. So this has now all been looked at, these IRS allegations have been looked at by the White House, the inspector-general of the IRS and this House committee has had its hearings. So far, no evidence that the White House knew about the wrongdoing in Cincinnati, no evidence that the White House directed it in any way. Do you accept that first of all?

And given that, what's the most important unanswered questions for your hearings this week?

PORTMAN: Well, George, first, we just don't know yet. There was an audit done by an inspector-general. But we've not had an investigation that. That's why a bipartisan investigation at the Senate finance committee and at the ways and means committee is necessary. I also think that special counsel is going to end up being necessary here, because it has to be independent of the White House.

What we do know is that politics was put ahead of the public interest. And it was done in two of the most sensitive areas of our government. One, of course, the tax collection agency, which has this enormous power over all of us. And second, our national security.

So, look, I was one of the people that sent a letter, in March a year ago, saying what's going on here? We're hearing from all of these consecutive groups. There seems to be targeting. There seems to be a problem. The IRS apparently took a look at it, responded to our letter, indicated that there was no problem. But unfortunately, they were informed of it. And within a week of our letter being responded to, they actually had a briefing, the deputy commissioner of the IRS, indicating that there were these problems. They never bothered to correct the record.

So now you have over a year later, finally the IG report out and they acknowledged it. So there's a real concern here.

Dave Camp just talked about, you know, basically putting politics ahead to get through the election. Maybe that was it. We don't know...

STEPHANOPOULOS: But senator, but there has been an investigation in the House has looked at it. You have said the IG -- have you seen any evidence that anyone outside of that Cincinnati office, and you're in Cincinnati today, gave any kind of direction, any kind of political direction to the office? PORTMAN: Look, George, we just don't know. We do know that there was a California office involved. We do know that the Washington office was very involved. We know Louis Lerner was involved. So, it wasn't just the Cincinnati office.

I just find it very hard to believe that lower-level employees here in Cincinnati, Ohio took this on themselves. And that it went on for a couple of years without anybody knowing about it.

And, again, we have information now based on the IG report, that in fact the deputy commissioner of the IRS was made aware of this, at least on May 3rd, I would think before, because he asked his folks to go to Cincinnati to look into it in March of 2012. And yet they responded to a letter from congress not telling the American people about this a week earlier than that.

So, it seems to me that there's a lot of issues here we need to get bottom of. We need to find out what really happened and ensure that we can begin to regain some trust in our government. That's my concern.

STEPHANOPOULOS: Senator Menendez, you just heard a call for a special counsel. Do you think that's necessary?

MENENDEZ: Well, I don't see it at this point.

And look, you know, even the chairman of the House oversight committee said you don't start accusing the IRS until you have an independent deep dive. And that deep dive what the inspector-general did. And since we have

come to know what the inspector-general has said, heads have rolled. There's a new leader at the agency.

But I think there are two scandals here. And clearly what the IRS did in this regard is absolutely wrong and it's outrageous. It's a lack of management. And we should look legislatively as to whether we have to create any screens or filters that they look at in the future so that they offer more accordingly.

But there's second scandal, and that fact is, is that hundreds of millions of dollars had been used in C-4s that are supposed to be used a nonprofit social welfare entities for political purposes. And it's pretty outrageous that the IRS went after small Tea Party groups when Karl Rove is out there saying he's using these C-4s to change the outcome of the next election.

So I think both of those scandals have to be looked at.

STEPHANOPOULOS: Two scandals.

Congressman Price, you looked at this in the House weighs and means committee on Friday. You asked that question about whether the so-called targeting was illegal. Have you seen any evidence that a crime was committed?

PRICE: We don't know yet as Senator Portman said. This is really chilling stuff, though, George. The IRS was asking church groups what was the content of their prayer, prayers, to determine whether or not to give them status, tax-exempt status, or book groups, what books they were reading, provide a book report. This is just the beginning.

And I think it's really important to appreciate what Senator Portman started with and that was that the IG report was an audit, it was not an investigation. This is just the beginning of this process. And we need to get to the bottom of it. We need to find out who made those decisions, hold them to account and see how high up the chain it went. And that's exactly what we'll do.

STEPHANOPOULOS: So do you think a special counsel is needed as well?

PRICE: I think it's -- again, I think it's premature to determine that. I do believe that the committees of jurisdiction in the House and in the Senate need to continue their investigation and determine exactly who made these decisions. These were just some individuals at a low level in the IRS. They don't make those kind of decisions, you know that. The American people know that.

What needs to be restored is trust. And that's the real question here.

STEPHANOPOULOS: Let me bring this to Congressman Rangel, because there's extensive reporting in your hometown newspaper this morning, the "New York Times," which suggests that in some of this information developed in the IG's report as well that the extent higher-ups in the IRS were involved they actually ordered the Cincinnati investigators to broaden their criteria not to single out the Tea Party, not to have any political bias there.

RANGEL: The biggest problem is that tens of thousands of IRS workers that work hard with all of this stigma being tax collectors, are getting a bad shake out of this.

First of all, it is the law. Senator Menendez says this law lends itself to abuse. I don't think that gang in Cincinnati had the slightest clue as to find out whether or not people making contributions were involved in politics or whether they were involved in social welfare. Under the law, it's not just an exclusive thing. And people were abusing this law.

Whether they should have used this buzz words for conservatives or liberal, it is wrong and outrageous when people penalized for their political beliefs.

But the law has been abused every since it's been there.

STEPHANOPOULOS: Senator Portman, how about that? Are you concerned about that? Both Senator Menendez and Congressman Rangel saying there was a real potential for abuse here that deserved to be -- that had to be overseen. PORTMAN: George, here's the point, we can talk about whether the laws ought to be changed. And yes, I'm for tax reform. But the question is whether there was an unbiased, even-handed enforcement of the laws? And there was not. So to say, gee, maybe we should change the laws, that wasn't the issue here.

What's happening in Cincinnati, and unfortunately other places in the country, including as I said California, Washington, D.C. was there was a bias.

So, we can complain about what the law says. This issue is about the enforcement of that law. The American people deserve to know that it's not being biased, that's it's even-handed, that it's fair, particular with regard to tax collection.

The power to tax is the power to destroy, you know, Chief Justice Marshall said and he said it well.

So there's no more sensitive area of government. And that's what we need to find out.

And by the way, earlier we heard some discussion from Dan Pfeiffer about, you know, whether the IRS is the appropriate body now to look into Obamacare. And he didn't sound very confident. He said we'll have to look into that.

So, to this point you made earlier about that Dan Balz's article in the Washington Post, active government, big government was promised to be able to deal with these issues to solve our problems, I do think that's also being brought into question.

STEPHANOPOULOS: Let me quickly follow up on that, do you believe it's appropriate for Sarah Hall Ingram, who was the head of the tax exempt division now overseeing the president's health care plan to remain in that position?

PORTMAN: Well, we don't know enough yet. She apparently was at the tax-exempt office, heading it up until 2012, which was the period during which this, again, biased targeting occurred, that now, you know, everybody agrees was the wrong thing to do and violated taxpayer's rights. So, we need to find out why she was given promotions during that period and then why she was promoted to another job to take care of even a bigger responsibility. Now the IRS is being asked to take on which is implementing Obamacare.

STEPHANOPOULOS: Senator Menendez.

PORTMAN: You know, George, I was involved in the 1990s in IRS reforms.

MENENDEZ: With all due respect to my colleague, it's not about changing the law, it's about investigating the law to make that it's applied appropriately. And where there are hundreds of millions of dollars being used for political advocacy and to determine the outcome of election, and that people can get a tax break on that when they're not supposed to, that should be investigated as well. So, we don't need to change the law, we're talking about pursuing the law.

And I find it interesting with my colleagues that seem far more interested in investigating than legislating. They only want to investigate certain things. And they only want to pursue these investigations, to a very large degree -- beyond the IRS, this is not the only investigation they want -- to have a dysfunctional congress.

When you have a Heritage Foundation, their action arm saying, don't bring a bipartisan farm bill to the floor because you'll distract from these investigations. The American people want to see us legislate and solve their problems, not just spend our time investigating.

STEPHANOPOULOS: Do you believe that the American people, given what happened here at the IRS is going to trust IRS oversight of the president's health care plan?

MENENDEZ: Well, first of all, they have a part of the entire health care act and that oversight will be done by our respective committees as well as the health education and labor committee. And what's most important is not to have 37 votes in the House of Representatives to repeal the president's health care law, which means 37 votes to stop millions of young people from being on their parents' insurance, or being able to have them not be discriminated because of preexisting conditions. That didn't pursue any effort to improve health care in the nation.

STEPHANOPOULOS: Your response, Congressman Price.

PRICE: Yeah, a good attempt to change the subject. The fact of the matter is this is about trust. And Sarah Hall Ingram, who was in charge of the tax-exempt division at the IRS between 2009 and 2012, the exact time of this challenge and affront to the American people, is now in charge of instituting and regulating and determining whether or not the IRS is doing the appropriate things as it relates to the ACA, the president's health care law.

Remember, the IRS is the enforcement arm for the president's healthcare law?

STEPHANOPOULOS: Do you think she has to go?

PRICE: I think she at least has to step back until we get to the bottom of this.

STEPHANOPOULOS: Congressman Rangel, you get the last word.

RANGEL: There's no Republican agenda except to stop the president of the United States. IT just seems to me that there's no evidence, that whatever went wrong it was known outside of Cincinnati. They should have been better trained to deal with a very sensitive piece of legislation that was abused by the left and the right.

STEPHANOPOULOS: Gentlemen, thank you all very much. We'll be watching the hearings this week. Our powerhouse round table is up next. They weigh in on all the scandal talk. What will stick and whether Obama escape that second- term curse?

(COMMERCIAL BREAK)

STEPHANOPOULOS: ...Peter Baker of the "New York Times" that President Obama has a secret fantasy, it's called going Bulworth, letting it all hang out like the rapping senator played by Warren Beatty in the 1998 film.

(BEGIN VIDEO CLIP) WARREN BEATTY, ACTOR: Big money. Big money. One man, one vote. Now is that really real. The name of our game is let's make the deal. Now people got their problems, the haves and have nots, but the ones that (inaudible) make a 30 second (inaudible).

(END VIDEO CLIP)

STEPHANOPOULOS: Don't hold your breath for the Bulworth strategy.

But is there a film that you would like to played out now in Washington now? Tweet me your favorite political movie @GStephanopoulos hashtag #thisweek. We'll be right back with the roundtable.

(COMMERCIAL BREAK)

(BEGIN VIDEO CLIP)

REPORTER: Would you consider the crimes returned in the indictments last week -- those of perjury, obstruction of justice and conspiracy -- to be impeachable crimes?

PRESIDENT RICHARD NIXON: I do not except that the House Committee will find that the president is guilty of any of these crimes.

REPORTER: Your credibility has been severely damaged. Can you repair it?

PRESIDENT RONALD REAGAN: I imagine I'm the only one around who wants to repair it and I didn't have anything to do with this, damaging it.

REPORTER: What goes through your mind when you hear critics compare this current controversy to Watergate?

PRESIDENT BILL CLINTON: We're not covering up or anything, we are opening up.

REPORTER: How do you feel about comparisons by some of your critics of this week's scandals to those that happened under the Nixon administration?

PRESIDENT BARACK OBAMA: You can go ahead and read the history I think and draw your own conclusions.

(END VIDEO CLIP)

STEPHANOPOULOS: The president did not bite on those historical comparisons. What does the roundtable think? We are joined by George Will, Katrina Vanden Heuvel, Editor and Publisher of "The Nation," ABC's new Chief Washington Correspondent, Jeff Zeleny, April Ryan of "The Urban Radio Networks, American Urban Radio Networks and Ron Fournier of "National Journal." Thank you all for coming in.

So George, last week before the hearing you wrote a column saying you heard echoes of Watergate in the IRS scandal. After the hearings, after the revelations this week, do you still believe that?

WILL: Sure in the sense it's the use of the Federal machinery to punish enemies of the administration. Let's take a running leap into this. March 2012, the IRS, responding to rumors all over conservative movement and all over Washington that conservative groups are being targeted, assured the Ways and Means Committee this was not true. The commissioner at the time did.

Two months later, they know that's not true. Did they come back to the Ways and Means Committee and correct

the record? No they did not. In June 2012, the number two man at Treasury and the Treasury General Counsel are told about the targeting. Did they respond in any way that we know about yet? Did they inform the White House? We don't know.

STEPHANOPOULOS: They say no.

WILL: That's why we have divided government. We're going to have hearings and we're going to find out. Then on March 10, sorry May 10, 10th of this month, Lois Lerner in an amazingly interesting coincidence is asked a question at an American Bar Association Conference about this. And she says, yes it's been happening. This just in from a report that's going to come out from the IRS confirming that.

This week, the acting Commissioner Mr. Miller, says the IRS was not corrupt in this, it was just breathtakingly incompetent delivery what he called, "horrible customer service" which another amazing coincidence just happened to fall disproportionately on conservatives.

Finally he said, "I do not know whose idea this was, but I do know that these people I do not know, did not have political motives." That's where we stand.

STEPHANOPOULOS: That's where we stand. But we also know a little bit more than that. Let me bring you this to Ron Fournier, we do know that at least on two occasions higher ups at the IRS went back to the Cincinnati office and said, broaden out the criteria, this doesn't seem fair.

FOURNIER: Right. The problem with this scandal and it actually relates to the other ones that we'll talk about later, is when you're in a position of government and saying, we're not corrupt, we're just incompetent, that's a bad place to be.

STEPHANOPOULOS: Fair summary.

FOURNIER: What unites all these things is it undermines the credibility of the administration and the president in a competence of government. And this is a time when we have a president who's really trying hard to prove that government can improve our lives. That government can help us move forward. And trying to reverse this decades-long decline in our faith in government.

STEPHANOPOULOS: I want to get back to the question a little bit. Let's pick on the IRS for now. Your response to George?

VANDEN HEUVEL: Watergate, seriously, George? I mean Watergate was a scandal unique in its depths of criminality. You had a president at the heart of the White House directing the subversion of the FBI and other institutions including the IRS. There is no evidence, and I think the IRS scandal is outrageous. There is investigation underway.

The president has fired the acting head, and the key scandal which you will disagree with, is that we had after Citizens United, a flood of money coming in and you had groups which were clearly political and partisan, trying to use this 501(c)4 categorization to escape political scrutiny.

Let us have an investigation, but let us not call it Watergate, because that demeans our history and the full nature of constitutional crisis.

WILL: I can only say that I brought Watergate into this because abuse of the IRS was Second 1, Article 2, of the Articles of Impeachment of Richard Nixon.

VANDEN HEUVEL: But it has been used by the Kennedy administration, by the Nixon administration, there is no evidence yet that the president or the White House knew of any outside political pressure.

And the key scandal is that we must break open and have even handed standards so that people, the Congress and the FEC have failed in their duty because donors, political parties, PACs, these so-called 501(c)4s which should be abolished, have not had standards to abide by.

STEPHANOPOULOS: And Jeff you certainly saw that's where the two Democrats who were on the committee certainly want to take these investigations going forward. From your reporting, what else do you expect to be uncovered this week? And what direction do you expect the Senate Finance Committee to take?

ZELENY: I think the Senate Finance Committee is getting the first shot at this on Tuesday. And the key person here is Douglas Shulman. Yes he was a Bush appointee but he was the head of the IRS and he has some questions to answer here.

STEPHANOPOULOS: He was the one, just let me explain, he was the one who did not divulge to the Congress --

ZELENY: Exactly.

STEPHANOPOULOS: That this was going on. He says he didn't know about it.

ZELENY: And a couple of things are happening here. Members of the House and the Senate are upset that Congress didn't, that they weren't fully informed, excuse me. But it's really not the issue of if Congress was informed or not. It's actually what was happening here.

But the Senate Finance Committee, I'm told, is still looking for IRS employees, agents, who they're going to bring in and question. That's not going to happen on Tuesday. But that's what we really need here. Some of the employees to sort of call out Washington. Right now it's top down. We need to hear from the bottom up.

STEPHANOPOULOS: Bottom up. April the White House does seem pretty confident in their assertions that there was no communication one way or the other, with the IRS.

RYAN: Yes they do. But you always have to remember with the White House and everyone here knows this. You have to present this strength and the fact that your hands were clear. Particularly the president. Even though the White House counsel knew about it a month ago. The president says he found out about it through media reports.

But one thing that this administration is trying to do, to win the picture on this, and one way that they're trying to win the picture on this is Friday night they asked the new IRS Commissioner to embark on an investigation that will bring back information in 30 days. So they are really standing strong and showing, saying, look we had nothing to do with this but we're trying to move this forward and get answers.

STEPHANOPOULOS: And that's not enough for the senators we heard today calls for Special Council from Senator Portman from Congressman Price saying he's not quite there yet. Do you see this as the next step or the Congressional Investigation is going to be sufficient?

FOURNIER: We're definitely going to have to have Congressional Investigation. It kind of depends what comes out of that. If there's any, any hint, all there has to be is a blind copy email to a Deputy Political Director in the White House and this thing is really big, maybe even (inaudible) big.

If after a real thorough investigation it's stopped inside a very incompetent, poorly managed, about to take over health care IRS, then it's just a severe problem for the president.

STEPHANOPOULOS: Do you accept that George?

WILL: Sure let's but let's start as Jeff says from the bottom up. Let's find up if that group in Iowa that says, the Right to Life group, says it was told it would get its tax exempt status if, but only if, it promised not to picket Planned Parenthood. Let's find out if that happened and if so, who told them that. And where they got the bright idea to do that. A Tennessee group said you're entitlement to this status will be contingent upon telling the names of the high school and college students that you trained to participate in politics. I want to find out what Americans --

VANDEN HEUVEL: In order to even hand an application of IRS standards, again, the Federal Election Commission, the Congress, we need to have a set of standards. Because these people in Cincinnati, first of all they also broadened it to non-Tea Party, non-Conservative groups. But I think you need to have a set of standards. And our campaign finance system needs to be just torn apart. It's broken. Our democracy is broken and this is a subset of that. Sure, let us have investigations. But scandal is not an agenda. And the Republicans are going to run just inhaling scandal without a sober-minded, fact-finding investigation on any of these issues. Now I think the real issue which pre-dates this week and is it a scandal? It's a scandal to some, but we've known about it, is the AP story. I mean the fact that this administration picked the baton from Bush and failing to uphold what it promised, has had the worst record on press freedom. You can't be a situational civil libertarian George.

Listen the Press Freedom Record, the Transparency Record of this administration, this administration has prosecuted more people for leaks, officials, than any others. And I think that is something, maybe millions of people in this country don't care because they don't care about Benghazi or the IRS story right now. But that's something that speaks to the core of democracy and what we stand for.

STEPHANOPOULOS: Let me take a step back and just explain because it's a good transition. Exactly what happened here. We found out that the Justice Department secretly was able to seize the phone records of the AP, about 20 different phone lines at the AP, probably involving about 100 reporters in this leak investigation last

year. Which was trying to get at who divulged the existence of a mole inside al Qaeda.

VANDEN HEUVEL: That's right.

STEPHANOPOULOS: So that all said right there, headlines, George, across the country, "Justice Dept. should not have obtained AP's phone records." "Spying on The Associated Press." "Those AP Subpoenas."

Actually I want to bring this to Ron Fournier because you worked at The Associated Press for about 20 years, 20-something years. And you made the point this week that you believe that the leak investigation actually has potential to do more harm to national security than the initial leak itself.

FOURNIER: No doubt about it. A couple quick points, we heard Dan Pfeiffer early used as defense of the IRS, oh those Republicans are doing a fishing expedition? Well how can the administration with a straight face talk about fishing expeditions when that's what they're doing against the AP?

First point, why this is a problem. When it intimidates whistleblowers, anybody who has information about the government that the government doesn't want out, now is chilled.

Two, anybody out there watching this show, paying attention to the stories, got to worry about their own records. Because if DOJ is willing to come after the world's oldest and largest news organization, knowing that the AP would disseminate this, right? Right knowing this --

STEPHANOPOULOS: Knowing that Justice Department guidelines say that you have to go to the AP first.

FOURNIER: Right. What are they willing to do to you? What are they willing to do to your mother back in Topeka? Knowing that she doesn't have the power of the Associated Press, this is scary.

Three, the reason it really undermines National Security, I have to kind of explain what happened here. The AP like news organizations have for many decades, when they found out about the story, one way or another, they got in contact with the CIA. I don't know if the AP went to them or the CIA went to the AP. It's not material.

Government said this is dangerous. Please don't put this information out, we need a few days to protect the informant. The AP, as news organizations do, because there's this bond of trust, held off on the story right? The CIA never asked them to kill the story, that's very important to know. For five days, AP sat on the story. They took care of their asset.

The CIA said it's safe to run the story, you can run it. A few minutes, a few hours later, later on in the day, they said, wait, wait we need an extra day because we want to put out a press release tomorrow. They wanted their PR plan to go in place.

So now what happens is other news organizations are going to be less trusting of the government when the government says please don't run this, it undermines national security.

RYAN: But Ron is right, it extends worldwide. We are the standard bearer for freedom of the press. And then when you have these rogue nations or nations that are suppressing information, and they'll say, they'll look to the United States, saying, oh well, President Obama is doing that to their press, we can do it too.

And not only that, Ron is absolutely right, if you can start saying, look we're going to take your logs. It's all about relationship. It's all about trust. And if those sources say, hey I'm not going to do this because, in fear of possible investigation, what have you, that's a problem for us, to be able to disseminate factual information.

STEPHANOPOULOS: And George all the reasons why the AP should have been consulted. And I think there's an actual strong case to be made that the White House or the Justice Department could have also gone to court and had them adjudicate it as well. On the other hand, this was a very, very serious investigation. A very serious leak that put not only American assets at risk but could have complicated our national security.

WILL: Absolutely. Government has a right to some secrets, particularly those involving sources and methods of intelligence gathering. We all understand that. As you said, the AP was extremely compliant here. In spite of the fact that the government was not following its own protocols tested over time.

Now the administration says, embarrassed, now we need another law. We need a shield law. This country has had a shield law since December 15, 1791 when the First Amendment was ratified.

STEPHANOPOULOS: That shield law in this case would not have applied to national security concerns. ZELENY: And the problem for all of this, this is not directly linked to the Oval Office or the West Wing, perhaps because it

would be improper for them to be in discussions with the Department of Justice, as far as we know. But the bigger picture here is, this is all we've talked about all week.

The president had probably nine months to get his agenda through. And on Congress, in Congress, on Capitol Hill, scandal is the only discussion here. So this is a big problem in terms of undermining the trust of --

(CROSSTALK)

VANDEN HEUVEL: There is a related scandal. We're talking about the AP as we should now. But with a few exceptions in the establishment media, the "New York Times" being one, where has the coverage been in these last few years? When you've seen spying on American-Muslim communities? On dissidents? A Patriot Act passed through without even much thought? The Federal, the FISA Act which allows journalists to be eavesdropped on, so I'm just saying this is something that is very chilling. On the other hand, this is not an apology for the Obama government, but the Republicans have been baying like wolves in the night for more investigation of leaks. So there's a transpartisan ecumenical problem --

WILL: Wow that is a sentence for you.

FOURNIER: I'm glad you asked that question. Where are the investigations into Muslim communities?

VANDEN HEUVEL: That's right.

FOURNIER: The Associated Press has a prize winning team. Did an investigation into profiling here in this city, of the Muslim community. That same team, that same team was the one that the administration came to and said, please don't print this. They're over seen by a Bureau Chief who replaced me, named Sally Busby, who oversaw two wars for the Associated Press. These are not folks who this is their first rodeo.

VANDEN HEUVEL: That's right.

FOURNIER: When you said the AP is not compliant, the AP is never compliant, the AP is responsible. The administration here has been irresponsible.

RYAN: The administration is denying that this whole investigation is about that story, about the al Qaeda leak story.

STEPHANOPOULOS: It's broader than that. How about the broader question George that Jeff raises, I think you've got a third of the committees in the House now investigating the administration. It seems like the rest of the president's agenda is languishing. You asked in the column this week, what agenda?

WILL: In fact, the president ran a campaign that was designed to defeat Mitt Romney, not give him real momentum going forward. There are those of that think there's entirely too much trust in government. And this week demonstrated why we think that. And if we drain the reservoir of trust, we'll be better off as a republic.

STEPHANOPOULOS: But is there a risk that the Republicans go too far in pushing? You already heard when we played it in the opening, Michele Bachmann raising the specter of impeachment.

WILL: That's silly. And it is possible to go too far. But Republicans perhaps cannot be blamed for saying a crisis is a terrible thing to waste. And there's a crisis of confidence and they are the political party that exists to say that government is necessary but always is a danger.

VANDEN HEUVEL: Even the "National Review" had an editorial this week, "Scandal is No Agenda." Now I would argue that the Republican Party is unified by its determination to obstruct President Obama. It's doing a good job. One of the terrible things this past week to see again how it's obstructing the confirmation of appointees needed to run a functional government.

However, I would say that the president, his administration is floundering because they haven't, they've allowed weapons of mass distraction to dominate because they haven't found their core agenda for the second term. What is it? Is it immigration reform, which might well have a better chance of passing because of this distraction in Washington.

STEPHANOPOULOS: Better chance?

VANDEN HEUVEL: Yes I think because people will be distracted by the scandals. But I think jobs, where's the job creation? Where's the action on guns? These are focuses of an administration that knows what it wants to do in a second term. So I think there's blame to go around.

ZELENY: The failure to get the Gun Bill through when the president was pushing it, this is his top agenda. I'm not sure on immigration. Speaking of that, that's a big problem on the House, the Senate thinks it's moving forward, but there is no real agenda here and time is running out.

The president had a meeting with some top advisers right after the election. He said, how much time do I have? They said basically about a year. Well it is now almost June, half of that year is up. And we know what's going to happen in the rest of the year. I mean all these committees. As you said, a third of the committees are investigating the White House.

FOURNIER: If I could just push back on one thing with all due respect. I don't think it's a good thing whether you're Republican or Democrat, that the public has lost faith in government. I don't think it's a good time, after the last, good thing, that what is happening in this country is more and more, and even exacerbated under President Obama before these scandals. People are looking outside of government for their own work-arounds around the Federal Government. I had to get away from Washington for two days this week and go to Boston to talk to millennials. The best and the brightest up at Harvard, the best and the brightest in suburban Detroit, the best and brightest in suburban Virginia, about the fact that they have a level of civic engagement, but polls show they don't trust government.

What this means is people like that, the next generation, are staying out of government.

STEPHANOPOULOS: George you have 30 seconds to respond and we're out of time.

WILL: Big government, the best construction on the IRS scandal, is big government is impossible to monitor. That's the lesson of this.

FOURNIER: Any government has to be trusted.

WILL: Any government has to be trusted, but the bigger the government gets, the bigger the distrust ought to be and will be.

VANDEN HEUVEL: But I've understood why people who hate government go into government. Because we're seeing an intent to dismantle a positive, activist government. And there are millennials around this country who still see, as they face student debt and other factors, a need for positive government that would improve the conditions of people --

(CROSSTALK)

STEPHANOPOULOS: Thank you all very much. Katrina's going to stick around and answer your questions for our web Extra. Check it out at abcnews.com/thisweek.

And up next, graduation season is here. We're shining our Sunday Spotlight on some of the best commencement speeches including Stephen Colbert yesterday at the University of Virginia.

(BEGIN VIDEO CLIP)

STEPHEN COLBERT: This week's "Time" magazine called you lazy, entitled, narcissists. So self-obsessed, tweeting your vines, hash tagging your Spotifys, and snapchatting your Yolos. Your generation needs everything to be about you. And that's very upsetting to us baby boomers because self-absorption is kind of our thing.

(END VIDEO CLIP)

STEPHANOPOULOS: Sunday Spotlight is next. First here's a look at the president's tough week on late night.

(BEGIN VIDEO CLIP)

JIMMY KIMMEL: This afternoon President Obama held a joint press conference with the Prime Minister of Turkey. Why Turkey, I'm not sure. I think those are the only sandwiches his wife lets him eat. SETH MEYERS: President Obama denied that he knew about the Inspector General's report detailing the IRS' increased scrutiny of conservative groups. So nothing to worry about, America, there's just a bunch of stuff happening that the president doesn't know about.

(END VIDEO CLIP)

STEPHANOPOULOS: And in today's Sunday Spotlight, what may be the toughest speaking gig of all, what to tell graduates as they squirm in their seats, itching for those diplomas. We're right in the thick of commencement season now. Watch how a few speakers handle the assignment.

(BEGIN VIDEO CLIP)

FIRST LADY MICHELLE OBAMA: Oprah was demoted from her first job as a news anchor. Now she doesn't even need a last name. And then there's this guy Barack Obama, he lost his first race for Congress and now he gets to call himself my husband.

COLBERT: It may seem that all that's left for you is unpaid internships, Monday to Tuesday mail delivery and thanks to global warming, soon semester at sea will mean sailing the coast of Ohio.

SENATOR MITCH MCCONNELL: In a line of work like mine, for example, I've learned that if you're trying to please everybody by playing it safe, you're not playing up to your full potential.

FORMER PRESIDENT BILL CLINTON: This whole thing comes down in the end to whether we think the future will be better if we face it with open hands or closed fists?

JULIE ANDREWS: As I was driving in from the airport, I was just looking at the lovely hills and honestly, I wanted to step out of the car and walk over to a grassy knoll and you know what, make my signature turn from "The Sound of Music."

ANNIE LENNOX: Oooh I bet you wonder how I knew, about your plans to make be blue.

MITT ROMNEY: You only live one life. Don't spend it in safe, shallow water. Launch out into the deep.

SENATOR AL FRANKEN: But many of you might be thinking right now about which leadership position you plan to attain when you leave here. Hopefully not mine. At least not for a while, okay? Okay?

COKIE ROBERTS: As you go forward, please consider the special place of public service in the history of this nation. And make some history yourselves. Congratulations.

(END VIDEO CLIP)

STEPHANOPOULOS: Congratulations to everyone in the Class of 2013. And now we honor our fellow Americans who serve and sacrifice. This week the Pentagon released the names of four soldiers killed in Afghanistan.

And that is all for us today. Thanks for sharing part of your Sunday with us. Check out World News with David Muir tonight and I'll see you tomorrow on GMA.

END

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May 19, 2013 11:45 ET .EOF

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